

Disposition of Prior Audit Recommendations

The following audit recommendations are summarized from the Statewide Audit for Fiscal Years 2001 through 2004 and include only the recommendations not implemented as of Fiscal Year 2004. The Statewide Audit includes both financial audit and Single Audit recommendations.

Report and Rec. No.	Recommendation	Disposition
Department of Corrections		
2004 Single Audit Rec. No. 1	Expand its monitoring process for privately operated facilities to ensure that complete and accurate documentation is maintained to support all activity in inmate bank accounts, Administrative Regulations are properly enforced, and appropriate internal controls are in place to ensure accurate processing of inmate account activity.	Not implemented. See current year Recommendation No. 1.
2004 Single Audit Rec. No. 2	Review its policies and procedures for inventory counts at year-end and modify as deemed necessary to ensure accurate inventory counts are completed.	Not implemented. See current year Recommendation No. 2.
Department of Education		
2004 Single Audit Rec. No. 3	Strengthen controls over personnel processes by (a) enforcing its existing policy or revising the policy to ensure that all initial hires are properly approved and documented and that salary adjustment forms include all necessary approvals, and (b) establishing policies and procedures over hiring family members to ensure that situations of nepotism and perceptions of conflicts of interest are avoided.	Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2004 Single Audit
Rec. No. 4

Strengthen controls over personnel and payroll activities by (a) establishing procedures that require supervisors to sign and approve employee time sheets to indicate that the time sheets are accurate and that leave taken has been properly documented, (b) limiting the Human Resources Director's access to the State's Human Resources system, EMPL, so that adequate segregation of duties is achieved or developing compensating controls which may include signature approval of the payroll turnaround report or other documentation, and (c) educating Unit Directors regarding the information contained in the monthly budget to actual reports so that the review of the reports can be used as a control over payroll costs.

Implemented.

**Department of Health Care Policy and
Financing**

2004 Single Audit
Rec. No. 5

Ensure that it routinely reconciles accounts receivable on COFRS to subsidiary ledgers and makes necessary adjustments in a timely manner.

Not implemented. See current year
Recommendation No. 3.

**Report and
Rec. No.**

Recommendation

Disposition

2004 Single Audit
Rec. No. 27

Improve oversight of Medicaid eligibility systems to ensure that benefits are paid only to individuals eligible for the Medicaid programs by (a) performing random testing of eligibility information determinations, (b) coordinating periodic peer reviews of eligibility determinations with the Department of Human Services, and (c) completing existing reviews to the standards expected by the Centers for Medicare and Medicaid Services and in a timelier manner.

a. Implemented.

b. Not implemented. The Department reports that it has not found any opportunities to coordinate peer reviews with the Department of Human Services for eligibility determinations.

c. Implemented.

2004 Single Audit
Rec. No. 28

Ensure that adequate documentation is maintained to support the methodology on which Child Placement Agency payments to Mental Health Assessment and Services Agencies under the Medicaid program are based.

Partially implemented. The Department was notified by the Centers for Medicare and Medicaid Services on November 19, 2004, to stop all payments to Behavioral Healthcare Organizations (formerly Mental Health Assessment and Service Agencies) for Child Placement Agency services. The Department stopped all payments on December 1, 2004. The Department developed a proposal on how to roll Child Placement Agency payments into the current mental health capitation rate. The Department submitted the proposal to the Centers for Medicare and Medicaid Services on December 15, 2005. The Department will establish procedures to maintain adequate documentation upon federal approval of the proposal.

**Report and
Rec. No.**

Recommendation

Disposition

2004 Single Audit
Rec. No. 29

Improve controls over provider eligibility by continuing to monitor the fiscal agent's review of all provider files by ensuring each file includes a current provider agreement and that provider licenses are consistent with the dates of services for which claims payments are made.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2004 Single Audit
Rec. No. 30

Ensure that it is fulfilling its responsibilities as a pass-through entity for the Medicaid program and that Single Entry Point (SEP) agencies are properly monitored by (a) conducting on-site certification reviews of all SEP agencies on an annual basis and following up on compliance issues identified in a timely manner; (b) issuing annual award letters informing SEP agencies of federal awards received during the year and ensuring the letters contain all required information; (c) requiring all SEP agencies to undergo an *OMB Circular A-133* audit within nine months of the fiscal year end as required by federal regulations, following up on SEP agencies not in compliance with the requirement, and taking corrective action as necessary; (d) issuing management decisions on a timely basis regarding Medicaid program questioned costs identified in SEP agency *OMB Circular A-133* audits, and taking corrective action as necessary; (e) conducting reviews of SEP annual unexpended Medicaid funds reports and taking steps to recover any unexpended amounts; (f) requiring all SEP agencies to submit monthly statements of expenditures and consistently reviewing these statements for propriety; (g) performing a client satisfaction survey as outlined in the State Rules on a annual basis; and (h) completing on-site Financial Compliance Reviews on all SEP agencies on a more frequent, revolving basis, and investigating and requesting repayment of identified disallowed amounts in a timely manner with the statute of limitations period.

- a. Implemented.
- b. Implemented.
- c. Partially implemented. See current year Recommendation No. 40.
- d. Partially implemented. See current year Recommendation No. 40.
- e. Partially implemented. See current year Recommendation No. 40.
- f. Implemented.
- g. Implemented.
- h. Partially implemented. The Department contracted to have an on-site financial compliance review conducted for those 2003 SEPs that demonstrate the highest risk to the extent that the current funds allow. The 2003 on-site financial compliance reviews were completed at five SEPs by October 31, 2005, and there were no questioned costs that resulted in the need to take back funds. The Department has recently requested additional funds to conduct the SEP audits in order to come into compliance with the state and federal regulations. The awarding of the SEP auditor contract is targeted for March 15, 2006, with contractual Scope of Work responsibilities completed by October 15, 2006.

**Report and
Rec. No.**

Recommendation

Disposition

2004 Single Audit
Rec. No. 31

Ensure full compliance with the Medicaid Drug Rebate Program requirements by (a) implementing a method for identifying the state-only portion of its prescription drug usage and excluding that portion from the federal Medicaid drug rebate calculations; (b) working with the Centers for Medicare and Medicaid Services (CMS) to determine whether some portion of drug rebates received by the Department are due back to participating Medicaid drug manufacturers and, as necessary, repaying any overpayments; (c) requesting advance approval from CMS for future rate changes related to its Medicaid Drug Rebate Program to ensure rebates are being properly invoiced to manufacturers, collected by the State and reported to CMS.

a. Implemented.

b. Partially implemented. The Department partially agreed with this part of the recommendation stating that it would examine the feasibility of negotiating a separate drug rebate with each drug manufacturer for the state-only program. On January 2, 2006, the Department notified CMS that the Department could identify specific drug code utilization amounts associated with the state-only program that had been previously deducted from the amount billed under the Medicaid drug rebate invoices and that analysis can be used to make the necessary adjustments to the CMS 64 report. The Department requested a meeting with the CMS Regional VIII Office to present this analysis and discuss the process for adjusting the CMS 64 reports. CMS has not responded to the Department's letters or the request for a meeting.

c. Ongoing. Effective with the invoices covering the 4th quarter of calendar year 2005, the Department has implemented a method for identifying the state-only portion of its prescription drug usage and excluding that portion from the federal Medicaid drug rebate invoices. On January 2, 2006, the Department notified CMS that the Department could identify specific drug code utilization amount associate with the state-only program that had been previously deducted from the amount billed under the Medicaid drug rebate invoices and that analysis can be used to make the necessary adjustments to the CMS 64.

Report and Rec. No.	Recommendation	Disposition
2004 Single Audit Rec. No. 32	Require that the fiscal agent obtain a SAS 70 Type 2 audit of the Medicaid Management Information System at the Denver site.	Implemented.
2004 Single Audit Rec. No. 33	Improve efforts to ensure that outlier claims are appropriate and accurate by (a) working with the utilization management contractor to review all outlier claims for Diagnosis Related Groupings (DRG) “without complications” for Fiscal Year 2004 and all prior years for which records are available, and reprocess incorrect DRG assignments for recovery and track recoveries to determine the financial impact of miscoding; (b) expanding future review assignments to include reviews of DRGs without complications; (c) reviewing the methodology for setting the trim point on DRGs and adjusting trim points and DRG weights as needed to reduce or eliminate potential financial incentives for providers to report inaccurate diagnosis or surgical procedure information on their claims, leading to the assignment of incorrect DRGs.	Deferred. The Department plans to implement this recommendation by the July 1, 2006, implementation date.

**Report and
Rec. No.**

Recommendation

Disposition

2004 Single Audit
Rec. No. 34

Improve accuracy of claims payments by (a) reinstating its quality control process for Medicaid claims using the Claims Processing Assessment System (CPAS); (b) periodically reviewing a sample of fee-for-services claims suspended from payment by the Medicaid Management Information System (MMIS) due to Health Maintenance Organization enrollment, which are then paid as fee-for-service claims by the fiscal agent; and (c) using these processes to identify and implement and necessary changes to MMIS, along with any process improvements and clarifications for manual reviews by the fiscal agent.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2004 Single Audit
Rec. No. 35

Expand efforts to reduce the number and amount of newborn claims that are inappropriately paid as fee-for-service by (a) collecting data to determine where lags in the newborn enrollment process occur, whether certain counties experience more problems in this area than others, and what additional processes could be implemented to reduce inappropriate fee-for-service claims for newborns; (b) as part of the next payment correction process, evaluating the extent to which the Colorado Benefits Management System reduces the newborn portion of incorrect fee-for-service payments for Health Maintenance Organization enrollees; and (c) after implementing the provisions of HB 04-1058, evaluating the success of the designated sites in increasing newborn enrollment in Medicaid and considering the possibility of pursuing statutory change to expand its ability to designate other providers.

Deferred. The Department plans to implement this recommendation by the July 2005 implementation date.

2004 Single Audit
Rec. No. 36

Improve the timeliness of payment recoveries by conducting the Health Maintenance Organization payment correction process twice per year.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2004 Single Audit
Rec. No. 37

Take steps to reduce the amount of paid claims for clients after death by (a) using the claim-specific data provided through this audit to identify and recover any payments made for services provided after date of death, (b) periodically conducting a data match of eligibility files and paid claims with date of death data from the Colorado Department of Public Health and Environment and/or the Social Security Administration to identify and pursue recovery of any claims paid for service dates after date of death, and (c) updating client eligibility files as indicated on the basis of parts (a) and (b) of this recommendation.

a. Partially implemented. The Department has identified and recovered funds for a portion of the \$362,000 claims noted from the audit. The Department reports that it did not find significant justification to recover any additional payments made for remaining claims-specific data.

b. Partially implemented. The Department's Medicaid Eligibility Quality Control Unit (MEQC) has proposed a targeted review to address this issue beginning July 2005, pending approval by the Centers for Medicare and Medicaid Services.

c. Partially implemented. The Colorado Benefits Management System (CBMS) has the ability to interface with systems that provide date of death information. The interface was turned off in December 2005 due to errors; it is scheduled to restart in January 2007.

2004 Single Audit
Rec. No. 38

Work with the fiscal agent to ensure that its quality control process for rate changes includes a review of all rate change parameters that are input into the Medicaid Management Information System, including the effective dates of rate changes.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2004 Single Audit
Rec. No. 39

Improve its oversight of prescription claims payments of non-covered and restricted, covered drugs to ensure payments are accurate and allowable by (a) requiring the fiscal agent to compare drug rebate product files and Drug Efficacy Study Implementation (DESI) drug lists from the Centers for Medicare and Medicaid Services with data from First Data Bank on at a least a monthly basis to ensure the most accurate data are used to determine allowable payments; (b) developing and reviewing monthly claims paid reports to ensure the fiscal agent is not processing drug claims that are not eligible for Medicaid reimbursement; and (c) identifying and recovering from the fiscal agent all monies incorrectly paid for drug claims for DESI drugs, drugs with no federal rebate agreement, and any other payments which are not allowed under federal or state Medicaid statutes, rules, or plans.

- a. Implemented.
- b. Ongoing. The Department has developed new reports to identify drug claims paid that are not eligible for Medicaid reimbursement. This will assure that the Department will not be reimbursing for drugs that are not eligible for the Medicaid match.
- c. Implemented and ongoing.

2004 Single Audit
Rec. No. 40

Ensure accuracy of fiscal agent drug pricing by strengthening its audits of the prescription drug program to include pricing components and larger sample sizes, increasing the frequency of analytic reviews, using cost-effective, available software applications, and establishing and enforcing standard recovery procedures from the fiscal agent for payments made due to pricing errors.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2004 Single Audit
Rec. No. 41

Maximize drug rebate collections through the Drug Rebate Program by (a) improving the drug rebate accounting system to increase the collection rate and expedite recovery of rebate program revenue; (b) tracking rebate amounts invoiced, disputed, and collected to establish benchmarks and evaluate trends; (c) evaluating staffing/workload and assigning staff resources to compute interest on unpaid balances, properly track pricing and rebate per unit changes, research disputed rebates, and resolve all outstanding disputes with manufacturers in a timely manner; (d) investigating and implementing system edits which will prevent payment of claims that could lead to rebate disputes; and (e) using the dispute resolution services of the Centers for Medicare and Medicaid Services, when appropriate.

a. Partially implemented. The Department has completed a price estimation of automated drug rebate software and is considering procurement options. Further, the Department has implemented certain interim measures to calculate interest due. However, the Department believes a fully-automated system will be a long-term project requiring legislative spending authority, formal procurement, and a multi-month implementation process. No implementation date provided.

b. Implemented.

c. Implemented.

d. Implemented.

e. Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2004 Single Audit
Rec. No. 42

Improve its oversight of pharmacy record keeping to ensure adequate controls for detecting and deterring fraudulent billing practices. Oversight activities should include, but not be limited to (a) conducting periodic reviews to ensure pharmacies are maintaining proper documentation, including reviews of hard copy documentation; (b) conducting follow-up activities on pharmacies that fail to respond to audit requests; and (c) continuing to recover prescription refunds from pharmacies that cannot provide adequate documentation of prescriptions dispensed and picked up.

a. Implemented.

b. Ongoing. Reviews have been completed on 75 of the 90 pharmacies who failed to respond during the audit conducted by the Office of the State Auditor (OSA). The Department reports that recovery of identified overpayments is continuing.

c. Ongoing. Six randomly selected pharmacies are currently under review by the Department for compliance to the prescription dispensing and pick up regulations. Once review of the 90 pharmacies who did not respond to the OSA's audit is completed, the Department will resume periodic review of pharmacies for compliance to documentation and prescription pick up regulations.

**Report and
Rec. No.**

Recommendation

Disposition

2004 Single Audit
Rec. No. 43

Improve the effectiveness of the prior authorization program and ensure that Medicaid payments are appropriate for restricted, covered drugs by (a) developing and enforcing fiscal agent contract performance standards for drug prior authorization program administration to minimize the risk of prior authorizing non-covered drugs; (b) increasing the frequency of analytical review and conducting independent audits of the fiscal agent's accuracy and consistency in following prior authorization guidelines and procedures; (c) increasing oversight of fiscal agent training to ensure proper interpretation and implementation of federal and state statutes, policies, procedures, and clinical prior authorization criteria; and (d) hiring or contracting with a licensed physician to oversee drug and other utilization control programs.

a. Partially implemented. The Department is conducting an analysis on the quality and consistency of prior authorization request (PAR) criteria being applied. When the analysis is complete, the Department will take further action in enforcing performance standards. The Department anticipates full implementation by July 2007.

b. Partially implemented. The Department's program staff is writing the PAR criteria to be more succinct and specific for utilization by the fiscal agent pharmacy utilization staff. The Department plans to fully implement this by November 2005.

c. Implemented.

d. Implemented.

Report and Rec. No.	Recommendation	Disposition
2004 Single Audit Rec. No. 44	Strengthen its controls over pharmacy overrides by (a) enforcing existing policies by conducting regular audits of prescription drug claim overrides, (b) expanding analytical review of paid prescription drug claims to include routine analysis and trending of pharmacy override codes to detect patterns of misuse or abuse, (c) conducting provider education and outreach to reinforce the Department's policies and procedures concerning overrides and other utilization controls, (d) establishing additional internal controls to limit quantities dispensed and developing clinical guidelines to prevent pharmacy overrides for drugs that are clinically inappropriate or subject to abuse, and (e) establishing controls to prevent fraudulent billing practices for the "brand cheaper than generic" override and expanding post payment pharmacy audit criteria to include the identification of overpayments resulting from "brand cheaper than generic" overrides.	Deferred. The Department plans to fully implement this recommendation by the December 2005 implementation date.
2004 Single Audit Rec. No. 45	Implement a preferred drug list, and where appropriate, adopt the best practices of other states, partner with other states to reduce administrative burden, and produce fiscal impact analyses and share findings with the public.	The Department disagreed with this recommendation and did not implement it.
2004 Single Audit Rec. No. 46	Improve its oversight and management of fiscal agent activities related to the Medicaid prescription drug program by implementing a strategic plan, including timelines for completion, for the following: (a) conducting internal analytical review and audits, (b) reviewing the adequacy of the fiscal agent's processes and procedures for quality control, (c) identifying and recovering from the fiscal agent incorrect or improper overpayments, and (d) developing and disseminating useful reports.	Deferred. The Department plans to fully implement this recommendation by the July 2005 implementation date.

Report and Rec. No.	Recommendation	Disposition
2003 Single Audit Rec. No. 27	Improve oversight of Medicaid eligibility data contained in the Client Oriented Information Network (COIN) and Colorado Trails systems to ensure that benefits are paid only to individuals eligible for the Medicaid program by (a) initiating and completing targeted pilot reviews on a timely basis, (b) establishing procedures to ensure that COIN is updated accurately to reflect the date of death for all beneficiaries, (c) performing random testing of eligibility information included in the COIN and Trails systems compared with information in individuals' files, and (d) performing recoupment more frequently than once a year for payments made on behalf of individuals not eligible for Medicaid.	Implemented.
2002 Single Audit Rec. No. 28	Require that the fiscal agent generate accurate claims summary reports for settling all hospital outpatient service claims payments within a specified time frame. If reports meeting the Department's requirements are not produced within the time frame, the Department should assess liquid damages against the fiscal agent.	Partially implemented. See current year Recommendation No. 41.
2001 Single Audit Rec. No. 40	Strengthen controls over the eligibility process for individuals under the Medicaid program by (a) ensuring all county departments of social services are maintaining current and complete files for Medicaid-eligible beneficiaries, (b) ensuring claims are not paid for an individual who is ineligible for benefits, and (c) performing periodic random testing of eligibility claims in conjunction with targeted reviews.	a. Partially implemented. See current year Recommendation No. 87. b. Partially implemented. See current year Recommendation No. 38. c. Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2001 Single Audit
Rec. No. 44

Modify its Interagency Agreement with the Department of Human Services for single entry point subrecipient monitoring by (a) establishing procedures for conducting risk assessments for evaluating the need of an on-site financial compliance review, and (b) requiring that all single entry point entities receive an on-site financial compliance review within a reasonable period of time to ensure new and revised financial policies and procedures are being followed.

No longer applicable. Due to General Assembly action, the Department no longer has an Interagency Agreement with the Department of Human Services to perform single entry point subrecipient monitoring.

2001 Single Audit
Rec. No. 45

Ensure claims processed through Medicaid Management Information System are accurate and allowable under the Medicaid program by conducting regular claims audits on at least a quarterly basis. Timeliness of Processing should be included in the testing procedures.

Implemented.

2001 Single Audit
Rec. No. 50

Implement edits in Medicaid Management Information System to review laboratory claims for compliance with Clinical Laboratory Improvement Amendment requirements in accordance with state Medicaid policy.

Partially implemented. The Department has re-initiated the Clinical Laboratory Improvement Act (CLIA) project with the fiscal agent which had not been addressed for the past fiscal year due to other priorities. Policy and systems staff will be meeting soon to assess the current policy for setting CLIA edits on claims that are received. Systems work may take several months to complete, depending on the assessment of policy and operational needs to support CLIA. The Department anticipates completion by April 2007.

**Report and
Rec. No.**

Recommendation

Disposition

Department of Higher Education

University of Colorado

2004 Single Audit
Rec. No. 47

Review the federal regulations surrounding the Return of the Title IV Funds and the related compliance requirements.

Implemented.

2004 Single Audit
Rec. No. 48

Implement procedures to ensure that all elements of the Fiscal Operations Report and Application to Participate, Student Unit Record Data System, and Exhibit K reports are accurate.

Partially implemented. First, for Fiscal Year 2005, the State modified the Exhibit K instructions for which the University complied. Second, the University changed its year-end processes to reconcile the three reports.

See current year Recommendation No. 44.

2004 Single Audit
Rec. No. 49

Strengthen procedures to ensure that the maximum annual limits of subsidized Federal Direct Student Loans are offered to all students through additional monitoring of the original parameters set during the award determination process, or if system limitations restrict the University from establishing award levels that are compliant with federal guidelines, waivers should be obtained from the applicable awarding agency.

In Progress. Procedures were modified to ensure all loans manually awarded for spring 2005 and future periods reflect the full amount of Subsidized Stafford eligibility before Unsubsidized Stafford consideration. However, other loans were still subject to the error and was noted in 6 of the 35 students tested. The system was programmed to adjust the awards for the 2005-2006 award year.

2004 Single Audit
Rec. No. 50

Strengthen procedures to provide timely supervisory reviews of the calculation of Federal Direct Student Loans prior to their submittal.

The University disagreed with the recommendation and did not implement it.

**Report and
Rec. No.**

Recommendation

Disposition

University of Colorado Denver

2003 Single Audit
Rec. No. 32

Establish adequate controls over sponsored programs by (a) conducting a comprehensive review of its sponsored program processes, controls, and competencies; (b) clearly identifying respective responsibilities, authorities, and procedures that will fully comply with federal and state requirements, and developing guidance that reflects the same; and (c) conducting training to ensure all parties involved in sponsored program financial compliance are adequately equipped to carry out their responsibilities.

Implemented.

Colorado State University

2004 Single Audit
Rec. No. 51

Establish procedures to ensure that data elements calculated as a result of professional judgement are correct.

Implemented.

2004 Single Audit
Rec. No. 52

Reinforce procedures and provide additional training to ensure that the Technology Charge Awards (TCA) process is properly adjusted when costs of attendance are adjusted during the second day of the TCA process.

Implemented.

2004 Single Audit
Rec. No. 53

Reinforce existing procedures and provide additional training as necessary to ensure that manually awarded loans are disbursed in equal installments.

Implemented.

2004 Single Audit
Rec. No. 54

Implement procedures to ensure that all elements of the Fiscal Operations Report and Application to Participate report are accurate.

Implemented.

Report and Rec. No.	Recommendation	Disposition
2004 Single Audit Rec. No. 55	Include a standard clause in all purchase orders, maintain a suspended and debarred file, and document the review of Excluded Parties List System for all vendors related to federal grants, or require certifications for all agreements related to federal grants.	Partially implemented. See current year Recommendation No. 47.
Colorado State University - Pueblo		
2004 Single Audit Rec. No. 56	Establish procedures to ensure that the midpoint of the semester is properly calculated and that requests for Federal Family Education Loan funds and disbursements of these funds are made according to the proper calculated midpoint.	Implemented.
2004 Single Audit Rec. No. 57	Implement procedures whereby there is a segregation of duties calculating the drawdowns, making the drawdowns, and reviewing the drawdowns.	Partially implemented. See current year Recommendation No. 48.
2004 Single Audit Rec. No. 58	Implement monitoring procedures over the verification process.	Not implemented. See current year Recommendation No. 50.
2004 Single Audit Rec. No. 59	Implement procedures to ensure that all elements of the Fiscal Operations Report and Application to Participate report are accurate.	Partially implemented. See current year Recommendation No. 51.
Colorado Community College System		
Front Range Community College		
2004 Single Audit Rec. No. 60	Develop and implement a plan to improve internal control and compliance over student financial aid.	Partially implemented. See current year Recommendation Nos. 62 and 63.

**Report and
Rec. No.**

Recommendation

Disposition

Colorado Community College System

Arapahoe Community College

2004 Single Audit
Rec. No. 61

Establish procedures to ensure that declined awards are returned to the federal government in a timely manner.

Implemented.

Colorado Community College System

Front Range Community College

Trinidad State Junior College

2004 Single Audit
Rec. No. 62

Establish procedures to ensure that Return of Title IV calculations are processed correctly with accurate charges and period-end dates.

Implemented.

Colorado Community College System

Trinidad State Junior College

2004 Single Audit
Rec. No. 63

Establish procedures to ensure that the withdrawal date of students who withdraw without providing notification is determined within 30 days after the end of the term and the resulting return is made no later than 30 days after the date of this determination.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

Colorado Community College System

Community College of Denver

2004 Single Audit
Rec. No. 64

Establish procedures to ensure that the institution's portion of a student's unearned Title IV funds are returned within 30 days after the College has determined a student has withdrawn.

Implemented.

Colorado Community College System

Pikes Peak Community College

2004 Single Audit
Rec. No. 65

Establish procedures to ensure that term breaks are calculated properly on the Return of Title IV Funds calculations.

Implemented.

Colorado Community College System

Front Range Community College

2004 Single Audit
Rec. No. 66

Establish procedures to ensure that return calculations are made and that students are requested to repay grant overpayments, and also repay the federal government as necessary.

Implemented.

2004 Single Audit
Rec. No. 67

Establish procedures to properly verify student financial aid application information, and if necessary, also repay the federal government.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

Colorado Community College System

Pikes Peak Community College

2004 Single Audit
Rec. No. 68

Implement procedures so that the appropriate supervisor reviews cash drawdowns and entries.

Implemented.

Adams State College

2004 Single Audit
Rec. No. 69

Improve its federal funds draw procedures by identifying and correcting financial aid data errors timely and improving the authorization process so that the federal funds drawn are adequate to meet the cash flow demands for related expenses.

Not implemented. See current year Recommendation No. 64.

Student Loan Division/Colorado College Access Network

2004 Single Audit
Rec. No. 70

Continue to ensure that adequate controls are in place over default aversion fees ensuring that data input and similar errors are detected and corrected on a timely basis.

Implemented.

Department of Human Services

2004 Single Audit
Rec. No. 6

Improve controls over the patient revenue reconciliation process at the Fort Logan Mental Health Institute by (a) performing revenue reconciliations that are complete, timely, and adequately reviewed and (b) ensuring staff members are adequately qualified, trained, and supervised, and seek higher-level assistance when problems are identified.

Partially implemented. We noted errors on both the Pueblo and Fort Logan Mental Health Institutes' Fiscal Year 2005 year-end revenue reconciliations. See current year Recommendation No. 12.

Report and Rec. No.	Recommendation	Disposition
2004 Single Audit Rec. No. 7	Ensure capital asset expenditures are appropriately recorded on COFRS by (a) reviewing expenditures related to the Colorado Benefits Management System that were incurred prior to Fiscal Year 2003 to determine those costs that should have been capitalized as an asset rather than expensed on COFRS and making necessary adjustments, and (b) instituting a review process for reviewing expenditures for all future capital asset projects, including information systems, and recording appropriate amounts for capitalization on a timely basis.	Implemented.
2004 Single Audit Rec. No. 8	Implement procedures to ensure a physical inventory is conducted at least annually of all leased microcomputers.	Partially implemented. The Department conducted a physical inventory of leased microcomputers and did not investigate any discrepancies. Due to an accounting change instituted by the Department for Fiscal Year 2006, the Department will no longer be required to perform a physical inventory of leased microcomputers.
2004 Single Audit Rec. No. 9	Improve controls over its purchasing card program by (a) instituting and enforcing a formalized policy requiring approving authorities to address all problems identified in their areas through the Division of Procurement's purchasing card reviews, (b) establishing a system for tracking actions taken by approving authorities to address problems identified through the Division of Procurement's purchasing card reviews, (c) providing periodic training as determined necessary in problem areas identified through the Division of Procurement's purchasing card reviews, and (d) considering the use of a graduated point system with defined consequences for cardholder violations.	Deferred. The Department plans to fully implement this recommendation by the June 2006 implementation date.

Report and Rec. No.	Recommendation	Disposition
2004 Single Audit Rec. No. 71	<p>Improve controls over the Food Distribution Program by (a) establishing procedures for performing monthly inventory reconciliations, including a standard format that includes, at a minimum, the previous month's ending inventory, the number of units received, the number of units shipped, the current month's ending inventory, identified discrepancies and adjustments, and comments; (b) ensuring that concerns communicated by the distributors are addressed and that commodities are allocated timely; (c) holding distributors liable for noncompliance with contractual obligations and federal regulations and immediate steps should be taken to recover the \$29,532 worth of donated foods that were destroyed; and (d) placing distributors on corrective action for cited deficiencies, enforcing the corrective action plans, and documenting the results of the corrective action plans.</p>	<p>a. Implemented</p> <p>b. Implemented</p> <p>c. Ongoing. The Department filed an initial claim for repayment of the damaged and destroyed donated commodities on March 30, 2005.</p> <p>d. Ongoing. The Department completed a review of each warehouse distributor, including a 100 percent inventory count, in June 2005. Reports containing findings and requirements for corrective action plans were sent to the distributors in July 2005. The Department has created an action log for follow-up on noted deficiencies and meets monthly with the distributors. The Department indicates it will file liquidated damages against any distributor for future non-performance.</p>
2004 Single Audit Rec. No. 72	<p>Strengthen its review process over purchases for the Temporary Assistance for Needy Families program to ensure expenditures are correctly coded and allowable under federal grant requirements.</p>	<p>Implemented.</p>

Report and Rec. No.	Recommendation	Disposition
2004 Single Audit Rec. No. 73	Improve controls over sanctions for the Temporary Assistance for Needy Families (TANF) program by (a) formally incorporating reviews of sanctions as part of the current on-site county monitoring process and following up on problems as appropriate, and (b) reviewing monthly TANF sanction reports and identifying and investigating discrepancies.	Not implemented. See current year Recommendation No. 70.
2004 Single Audit Rec. No. 74	Improve cash management controls by (a) ensuring federal funds are drawn in a timely manner for all federal programs, (b) identifying the reason for past duplicate federal reimbursement requests and ensuring duplicate draw requests are not made in the future, and (c) seeking clarification from the federal government regarding the responsibility for meeting the Cash Management Improvement Act requirements for the Food Stamps program.	Implemented.
2004 Single Audit Rec. No. 75	Improve its administration of the Supportive Housing and Homeless Program (SHHP) by (a) discontinuing its current policy to allow local service providers to sublease rental units to SHHP clients; if the Department decides to continue the policy, it should require that all leases and subleases executed by service providers be submitted to the Department, and the Department should review them for compliance to federal regulations, and (b) taking immediate steps to recover the \$11,175 in housing assistance overpayments made to the service provider.	Deferred. The Department plans to fully implement this recommendation by the May 2006 implementation date.

Report and Rec. No.	Recommendation	Disposition
2004 Single Audit Rec. No. 76	Improve controls over travel expenditures to ensure they are appropriate and allowable under state and federal regulations, and take steps to immediately recover overpayments made by the Vocational Rehabilitation Program and repay the portion owed to the federal government.	Partially implemented. We continue to note problems with the Department's travel expenditures in Fiscal Year 2005 including a lack of itemized receipts and training agendas, late submissions of reimbursement requests, and inconsistent applications of policies. The Department has taken action to recover travel overpayments made by the Vocational Rehabilitation Program. The Department will improve controls over travel expenditures by May 31, 2006.
2004 Single Audit Rec. No. 77	Comply with state and federal regulations for the Vocational Rehabilitation Program by competitively bidding for services from a single provider that exceed \$50,000 annually.	Deferred. The Department plans to fully implement this recommendation by the October 2005 implementation date.
2004 Single Audit Rec. No. 78	Improve controls over the preparation of the Exhibit K at the State Veterans Nursing Home at Fitzsimons by (a) ensuring staff preparing the exhibit are adequately trained, (b) instituting a secondary review process over the Exhibit K to ensure its accuracy prior to submission, and (c) ensuring that information used to prepare the Exhibit K is accurate.	Implemented.

Report and Rec. No.	Recommendation	Disposition
2004 Single Audit Rec. No. 80	Increase access and improve the application and eligibility determination processes for Older Americans Act services by (a) working with the Area Agencies to develop a single, standardized assessment and eligibility determination form and process that eliminates the need for clients to apply with multiple service providers; (b) translating program information, including applications and assessment forms, into appropriate languages for those regions where at least five percent of the population primarily speaks a language other than English; and (c) providing training to Area Agency and service provider staff on the application and eligibility determination processes.	Implemented.
2004 Single Audit Rec. No. 81	Work with the Area Agencies to improve access to services and decrease inappropriate service denials by (a) increasing service provider oversight and service planning, and targeting services to those individuals with the greatest social and economic need; (b) working with the Area Agencies to issue specific guidance for improving access to transportation services for rural participants; and (c) providing training to Area Agencies and service providers on voluntary contributions.	Implemented.
2004 Single Audit Rec. No. 82	Work with the Area Agencies and service providers to develop standard policies for establishing and tracking waiting lists in an organized manner to ensure that individuals are not forgotten or overlooked when services become available.	Implemented.
2004 Single Audit Rec. No. 83	Work to develop a statewide policy on the use of nutritional supplements.	Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2004 Single Audit
Rec. No. 84

Improve overall accountability and functionality of the Social Asset Management System (SAMS) database by (a) reviewing SAMS system components to determine whether additional coding mechanisms could be implemented to better track services provided by funding source; (b) incorporating fiscal components, such as billing functions, into the SAMS system to enable Area Agencies to pay providers for units of service; (c) performing scheduled reviews and comparisons of service data reported in SAMS to identify outliers or inconsistencies, and following up with Area Agencies and service providers to determine possible causes; (d) including specific requirements for reviewing and reconciling service provider documentation to SAMS data during Area Agency annual on-site reviews; (e) incorporating automated system edits that eliminate inaccurate data entry and issuing specific guidance to Area Agencies and service providers to improve consistency of data entry of SAMS information; and (f) conducting surveys of Area Agencies and service providers to determine what types of reporting and system functions would improve SAMS.

- a. Implemented.
- b. Deferred. The Department plans to fully implement this part of the recommendation by the June 2007 implementation date.
- c. Implemented.
- d. Implemented.
- e. Deferred. The Department plans to fully implement this part of the recommendation by the August 2005 implementation date.
- f. Implemented.

Report and Rec. No.	Recommendation	Disposition
2004 Single Audit Rec. No. 85	Establish fiscal controls to ensure that services paid for are provided and that program funds are spent appropriately by (a) requiring Area Agencies to reconcile the number of units provided and reported in Social Asset Management System (SAMS) to the number of units in each agreement and attempt to recover funds if all services are not provided; (b) incorporating a review of service provider records and a reconciliation of those records to SAMS data into the Area Agencies' annual on-site evaluation of service providers; and (c) working with the Area Agencies to develop standardized practices for documenting and reporting services, and investigate recovery of Older Americans Act funds and state general funds, paid for undocumented services, no-show services, or services that were not provided.	a. Implemented. b. Implemented. c. Deferred. The Department plans to fully implement this part of the recommendation by the July 2005 implementation date.
2004 Single Audit Rec. No. 87	Reduce the costs of providing services to people who are ineligible by (a) training Area Agencies and service providers on correct assessment practices and methods for documenting participant eligibility, (b) reviewing participant eligibility during the Department's on-site assessments of Area Agencies and during the Area Agencies' on-site assessments of service providers, and (c) examining options for improving the objectivity of assessments and service authorizations by using independent case managers to authorize all services or reorganizing the program.	a. Implemented. b. Implemented. c. Deferred. The Department plans to fully implement this part of the recommendation by the January 2007 implementation date.
2004 Single Audit Rec. No. 88	Establish comprehensive monitoring of Area Agencies and service providers by using a risk-based schedule for conducting on-site reviews.	Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

**Department of Human Services and
Department of Health Care Policy and
Financing**

2004 Single Audit
Rec. No. 79

Work together to pilot a system for reorganizing the Older Americans Act and Older Coloradans' Act programs.

Department of Human Services:

Deferred. The Department plans to fully implement this part of the recommendation by the January 2007 implementation date (contingent on funding).

Department of Health Care Policy and Financing:

Partially implemented. The Department discussed a pilot program with the Mesa County Department of Social Services for reorganizing the Older Americans Act and Older Coloradans' Act programs, and Mesa County indicated a willingness to participate in a pilot to coordinate services as described in the audit should the State Department of Human Services have an interest in such participation. However, funding is not currently available for this project. As noted, the Department of Human Services has indicated its intent to implement this recommendation by its January 2007 implementation date (contingent on funding).

**Report and
Rec. No.**

Recommendation

Disposition

2004 Single Audit
Rec. No. 86

Work with the United States Department of Health and Human Services to clarify the program that is responsible for payment when participants are eligible for services under both the Older Americans Act and Medicaid programs.

Department of Human Services:

Deferred. The Department is planning to fully implement this recommendation by the July 2005 implementation date.

Department of Health Care Policy and Financing:

Partially implemented. A letter is on file from the Administration on Aging of the United States Department of Health and Human Services dated June 29, 2005, indicating that Medicaid is not the payor of last resort for services provided by both programs. Under 10 C.C.R. 2505-10, § 8.390 et seq., the Department requires the Single Entry Points (SEPs) to conduct an intake identifying all potential payors. The SEPs submit prior authorizations to the Department's fiscal agent for Medicaid services. Services should be provided by another funding source such as the Older Americans Act, are not to be prior authorized by the SEP, ensuring that Medicaid only pays when appropriate. The Department will reiterate this information in the SEP training beginning May 2006. Due to the complexity involved with identifying payor source, the Department will evaluate a methodology and the feasibility of recovering overpayments by October 1, 2006.

Report and Rec. No.	Recommendation	Disposition
2003 Single Audit Rec. No. 5	Strengthen overall accounting controls by (a) providing ongoing staff training in critical areas including accounting-related statutory requirements and legal obligations, (b) establishing written procedures for all basic accounting functions and requiring that adequate documentation be maintained for all entries, (c) implementing the appropriate level of supervisory review over all accounting activities, and (d) reviewing all programs to ensure that the expenditures are properly recorded in compliance with spending authority.	Partially implemented. See current year Recommendation Nos. 11, 12, 13, and 14.
2003 Single Audit Rec. No. 7	Improve controls over capital assets by (a) ensuring that retainage payable accounts are reconciled at fiscal year-end balances; (b) transferring costs for completed capital construction projects to appropriate asset accounts prior to year-end close; (c) notifying the Office of the State Auditor in advance of physical inventories conducted after March 31 but prior to June 30, investigating all discrepancies, and making adjustments on COFRS as appropriate; (d) revising existing capital asset reconciliation procedures to state that reconciliations be prepared through fiscal year-end and list all the balances to be reconciled, and requiring all Department agencies to perform capital asset reconciliations timely and accurately and in accordance with Department policies; (e) maintaining adequate supporting documentation for capital lease entries made on COFRS; and (f) requesting federal reimbursement of outstanding construction expenditures at the Fitzsimons State Veterans Nursing Home project on a timely basis.	<p>a. Implemented.</p> <p>b. Partially implemented. See current year Recommendation No. 11.</p> <p>c. Implemented.</p> <p>d. Partially implemented. See current year Recommendation No. 11.</p> <p>e. Implemented.</p> <p>f. Implemented.</p>

**Report and
Rec. No.**

Recommendation

Disposition

2003 Single Audit
Rec. No. 8

Improve controls over the preparation of exhibits to increase the accuracy of information submitted to the State Controller's Office and to lessen staff time required to correct and revise exhibits by (a) developing and conducting training prior to year-end for staff preparing exhibits and (b) instituting a secondary review process over all exhibits to ensure their accuracy prior to submission.

Partially implemented. The Department provided training on exhibit preparation to appropriate staff prior to fiscal-year end. However, we noted that 6 of 37 exhibits submitted by the Department, or 16 percent, required at least one revision. The Department will improve controls over the preparation of exhibits by September 30, 2005.

2003 Single Audit
Rec. No. 9

Improve payroll controls by (a) monitoring time sheets to ensure they are dated by both the employee and the supervisor and (b) establishing a time frame during which time sheets must be certified by the employee and supervisor and requiring that certifications be dated.

a. Partially implemented. See current year Recommendation No. 13.
b. Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 65

Ensure that child placement agencies are meeting state and federal requirements related to how public foster care funds can be spent.

Partially implemented. The Department reports that due to budget and full-time equivalent cuts for Fiscal Year 2005, it no longer has staff to continue auditing child placement agencies (CPAs), review their financial statements, follow up on questionable expenditures, and provide training to CPAs. The Department has indicated it will use its 24-hour monitoring team to review basic financial statement information during regular provider monitoring and explore other options to implement the recommendation, including submitting a budget request item to request additional staff to perform in-depth financial reviews. Due to budget and staffing cuts the Department is unable to provide us with an implementation date. The Office of the State Auditor will be conducting an audit of the Foster Care program that will include a review of the CPAs during calendar year 2006.

Report and Rec. No.	Recommendation	Disposition
2002 Single Audit Rec. No. 69	Eliminate duplicate records within Trails, and enhance input controls by (a) performing regular search processes to identify possible duplicate records and communicating results to counties; (b) providing training to counties regarding the process of communicating duplication errors to the State; (c) following up with counties to ensure counties are actively resolving duplications; (d) implementing an outlined, specific methodology for county staff to use during the search process; (e) enhancing the system search engine; (f) implementing detection controls; and (g) establishing a process where referral information without a valid social security number would be considered a temporary record.	<ul style="list-style-type: none"> a. Implemented. b. Implemented. c. Implemented. d. Implemented. e. Implemented. f. The Department disagreed with this part of the recommendation and did not implement it. g. The Department disagreed with this part of the recommendation and did not implement it.
2002 Single Audit Rec. No. 71	Address interface problems between Trails and the County Financial Management System (CFMS) and improve controls over provider payments by (a) implementing modifications to correct provider matching issues between the two systems, (b) establishing provider payment limits that would allow counties to identify excessive payments, and (c) creating standard reconciliation processes to reconcile payments calculated by Trails to payments disbursed through CFMS and collect overpayments.	<ul style="list-style-type: none"> a. Implemented. b. The Department disagreed with this part of the recommendation and did not implement it. c. Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 75

Ensure reports from the Trails system are accurate and meet requirements by (a) providing specialized training to appropriate county workers on reports, (b) working with the counties and other stakeholders to identify critical reports and other reporting issues, and (c) establishing procedures to solicit courts to accept one established format for court documents.

a. Implemented.

b. Ongoing. The Department reports that it has applied 304 changes to existing reports and 113 new reports have been developed, 68 additional reports have been submitted and prioritized for development. New reports continue to be made based on user requests.

c. Partially implemented. The Department is developing a project in conjunction with the Judicial Department to allow for a direct interface between Trails and the court system (ICON) for passing of court data from and to Trails. The project plan has been created and the pilot is scheduled to begin in October 2005 with full statewide rollout planned for the summer of 2006. Implementation date: August 2006.

2002 Single Audit
Rec. No. 80

Verify identity and income information submitted by applicants for Colorado Works diversion by (a) processing all diversion applicants through the federal Income, Eligibility, and Verification System (IEVS) on a timely basis, (b) submitting all identified identity and income discrepancies to the counties for investigation and follow-up, and (c) requiring counties to address and resolve discrepancies identified through IEVS in a timely manner.

Not implemented. See current year Recommendation No. 72.

**Report and
Rec. No.**

Recommendation

Disposition

**Department of Human Services and
Department of Health Care Policy and
Financing**

Department of Human Services

2003 Single Audit
Rec. No. 71

Review the effect of the current Veterans Administration per diem policy on Medicaid residents and non-Medicaid private-pay residents and ensure that any inconsistencies caused by policy changes are eliminated.

Implemented.

Department of Health Care Policy and Financing

2003 Single Audit
Rec. No. 72

Address gaps in current nursing facility audit practices by developing analytical tools and procedures to identify significant changes in reimbursements received by providers and investigate these instances as appropriate.

Implemented.

Judicial Department

Office of Child's Representative

2004 Single Audit
Rec. No. 10

Ensure that all contracts are signed by all parties to the contract.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

Department of Labor and Employment

2004 Single Audit
Rec. No. 11

Implement procedures for a more thorough review of estimates at year-end by (a) comparing the current year major estimates exhibits to the prior year and investigating significant fluctuations, (b) reviewing previous year's post closing entries to determine if there are changes which affect current year calculations, (c) discussing any changes in methodology of the calculation with the statistician or individual responsible for the calculation on each estimate to determine if the change is reasonable, (d) assigning review responsibilities for estimates to individuals knowledgeable of facts and assumptions for the estimate and review of year-end adjustments to ensure that ending account balances are correct, and (e) reviewing of significant capital construction activity to ensure year-end accruals are recorded and that estimates are made for invoices not yet received.

Implemented.

2004 Single Audit
Rec. No. 12

Ensure amounts recorded as refunds due to employers for overpayment of unemployment insurance tax are accurate and complete, and ensure that the *genesis!* system will generate reports listing the detail on refunds owed to individual employers for unemployment insurance tax refunds.

Not implemented. See current year Recommendation No. 16.

2004 Single Audit
Rec. No. 13

Consult with the State Controller's Office or others on a timely basis to ensure proper recording of transactions prior to year-end close, and ensure future direct purchases or constructed capital assets are properly capitalized according to the Fiscal Procedures Manual.

Implemented.

Report and Rec. No.	Recommendation	Disposition
2003 Single Audit Rec. No. 11	Improve controls over federal expenditure and revenue reporting by implementing a periodic reconciliation process to identify and resolve discrepancies found between the Financial Accounting and Reporting System and COFRS in a timely manner.	Not implemented. See current year Recommendation No. 18.
2003 Single Audit Rec. No. 12	Improve controls over accounts receivable in the Petroleum Storage Tank Fund by (a) establishing procedures for periodically reviewing aging analysis reports in COFRS to identify delinquent accounts and submitting accounts 30 days past due to Central Collections and (b) obtaining verification of the owner name and address during the annual inspections and ensuring changes to the Department's records are made as needed.	Implemented.
2003 Single Audit Rec. No. 73	Improve controls over the use of Workforce Investment Act (WIA) funds by working with the regions to ensure that limited funds are used effectively in compliance with WIA requirements and to promote achievement of WIA's goals by (a) revising policies on training and supportive services to provide additional guidance to the regions in determining and documenting the need for such services in each case (b) ensuring that regions adopt policies and practices consistent with the Department's additional guidance through its monitoring efforts.	<p>a. Not implemented. The Department agreed to revise relevant policies on training and supportive services provided that the reauthorization of WIA did not change federal requirements in these areas. Although WIA reauthorization appeared imminent in November 2003, it is now scheduled for Fiscal Year 2006. Once WIA has been reauthorized, the Department anticipates completion of this recommendation within 90 days of the publication of the final regulations governing the new legislation.</p> <p>b. Ongoing. The Department has incorporated ongoing review of this area in the formalized monitoring policy.</p>

**Report and
Rec. No.**

Recommendation

Disposition

2003 Single Audit
Rec. No. 74

Clarify the circumstances under which funds can be considered limited for purposes of offering priority of service to low-income clients in the Adult program by (a) developing criteria to help the regions determine the availability of funds, (b) working with the regions to expand and clarify regional policies to be consistent with the Department's criteria and to contain specific criteria for determining funds availability, and (c) ensuring that the regions maintain priority systems for low-income clients in the Adult program unless the regions demonstrate that funds are not limited in accordance with state and local criteria.

a. The Department disagreed with this part of the recommendation and did not implement it.

b. and c. Partially implemented. The Department reviewed local policies on priority of service in the Adult program during its 2004 monitoring cycle to determine the need for modification and clarification. Once WIA has been reauthorized, the Department anticipates completion of this recommendation during the first monitoring cycle that follows publication of the final regulations governing new legislation.

2003 Single Audit
Rec. No. 75

Improve the compliance monitoring process by (a) collecting and analyzing information on all subregions for use in risk-based monitoring, (b) ensuring that all discretionary grants provided to the regions and subregions are monitored by the state field representatives in their annual monitoring visits to the regions, and (c) promoting consistency in monitoring by formalizing procedures in written guidance and training for the state field representatives.

a. The Department disagreed with this part of the recommendation and did not implement it.

b. Implemented.

c. Ongoing. The Department hired a supervisor for its workforce system monitors who is responsible for developing formalized, ongoing guidance and training. The supervisor developed a new and comprehensive monitoring tool for use by the field monitors in further program reviews.

**Report and
Rec. No.**

Recommendation

Disposition

Department of Military and Veterans Affairs

2003 Single Audit
Rec. No. 13

Improve controls over the Tuition Assistance Office by establishing a supervisory review over the identification and calculation of accounts receivable for the tuition refunds owed to the State.

Partially implemented. A supervisor review has been established over the calculation of accounts receivable, but this review was not documented. The supervisor will begin documenting the review. A review has not been implemented over the identification of accounts receivable; however, a statutory change effective July 1, 2005 should eliminate the need for a supervisor review.

2001 Financial Review
Report No. 1404
Rec. No. 5

Ensure that the Tuition Assistance Office is notified prior to the discharge of soldiers so that any refunds due can be collected.

Implemented.

Department of Natural Resources

2004 Single Audit
Rec. No. 14

Continue working to improve controls over capital assets and ensure assets are recorded accurately on the State's accounting system by (a) specifying what type of documentation is required before an asset will be removed from the Department's capital asset database and communicating this requirement to staff, (b) enforcing its policies requiring the timely reporting of missing items as well as investigating potential theft or embezzlement in accordance with the Department's internal policy and State of Colorado Fiscal Rules if sufficient documentation regarding the disposal of the asset is not presented in a timely manner, and (c) implementing independent review procedures over the reconciliation process.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

State Board of Land Commissioners

2004 Single Audit
Rec. No. 15

Continue to improve its surface lease procedures by billing hold-over tenants while the renewal is under consideration.

Ongoing. The backlog did not occur in Fiscal Year 2005, therefore, no hold-over tenants existed. The Division created procedures, such as delegating duties of the renewal process from the Denver office to district offices to distribute the work load during high volume renewal years. Additionally, the Division changed the lease terms from 10 years to between 6 to 10 years. The Division believes that spreading out the lease terms over varying intervals will eliminate large numbers of lease renewals from occurring at the same time and will help prevent backlogs in future years.

**Report and
Rec. No.**

Recommendation

Disposition

Division of Minerals and Geology

2003 Single Audit
Rec. No. 15

Improve its controls over reclamation deposits held in custody by (a) ensuring that confirmation forms used for certificates of deposit held by financial institutions include all necessary information; (b) developing and implementing procedures to identify and resolve all exceptions related to certificates of deposit between internal records and information reported by the financial institutions; (c) enforcing the policy stating that no interest shall accrue on reclamation deposits held by financial institutions by working with the operators and financial institutions, or changing its policy; (d) establishing and implementing adequate segregation of duties between individuals who maintain records of reclamation deposits and individuals authorized to withdraw these deposits from Treasury; (e) ensuring that receipts for reclamation deposits with Treasury are safeguarded and that withdrawals of items and the related adjustments to the Division's internal listings are completed timely and accurately; and (f) reconciling internal records on reclamation deposits held at Treasury to the State's accounting system and Treasury's records, and implementing independent reviews procedures over these reconciliations in a timely manner.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

State Board of Land Commissioners

2002 Single Audit
Rec. No. 10

Improve surface lease procedures and systems through the following: (a) continuing to streamline its lease renewal process in order to reduce or eliminate the backlog, (b) billing for back rents on expired leases based upon the “hold-over tenant” concept, (c) recording revenue in the proper fiscal year, and (d) implementing the new State Asset Management system as soon as possible.

Implemented.

Division of Wildlife

2001 Single Audit
Rec. No. 18

Improve controls to reduce the number of cancelled payments by (a) ensuring applicant information is correct, (b) cross-checking between returned limited license refund checks and returning applicants, and (c) following up on returned limited license refunds.

Implemented.

Water Conservation Board

2003 Single Audit
Rec. No. 16

Improve monitoring of borrowers’ compliance with the liability insurance requirement by (a) extending testwork to review all the outstanding loan files to identify instances in which the borrower does not meet insurance requirements and following up to ensure compliance, (b) utilizing Access database reporting capabilities to monitor liability insurance expiration dates by borrowers on a monthly basis, and (c) developing procedures for following up in a timely manner with all borrowers who are delinquent in meeting insurance requirements.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

Department of Personnel & Administration

State Controller's Office

2004 Single Audit
Rec. No. 16

Ensure compliance with statutory requirements for transfers of General Fund surplus to the Highway Users Tax Fund and the Capital Construction Fund by (a) complying with the statutory date for making these transfers or developing options for the timing of these transfers and working with the General Assembly to revise the statutory transfer date, and (b) seeking legal guidance from the Attorney General's Office regarding the correct manner for calculating the Fiscal Year 2003 reserve and in the future in cases where statutes have conflicting requirements that affect the amounts of these transfers.

- a. Deferred. At the conclusion of our audit, House Bill 06-1033 was under consideration by the Legislature. This bill would modify the dates on which the General Fund surplus is annually transferred to the Highway Users Tax Fund and the Capital Construction Fund.
- b. Implemented.

2004 Single Audit
Rec. No. 17

Ensure that the Technology Management Unit improve its controls over COFRS access by (a) requiring Financial System Team (FST) management to provide end dates enabling the automated process to suspend contractors' access, and (b) implementing a process to ensure FST management reviews access privileges in a timely manner when employee and contractor assignments change.

Implemented.

State Archives

2001 Single Audit
Rec. No. 27

Require the submission of inventory listings of records stored and storage space used from each agency.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2001 Single Audit
Rec. No. 29

Convert the current cataloging system from a paper to an electronic format.

Partially implemented. State Archives has automated its cataloging system and uses an electronic database to archive its data. It has converted 4 out of the 19 departments to this database and plans to convert 2 additional departments during Fiscal Year 2006. Due to budget constraints, the State Archives reports that it will continue to convert department data as staff time is available, until all data are converted to an electronic system.

2003 Single Audit
Rec. No. 18

State Fleet Management

Implement year-end physical inventory procedures by (a) performing physical inventories of all capital assets and (b) comparing the results of the physical inventories with the Colorado Automotive Reporting System and the State's accounting system.

Not implemented. Fleet Management reports that it conducted a physical inventory in October 2005 and reconciled the inventory results to its internal records in November 2005. However, the physical inventory was not performed in accordance with the State Fiscal Procedures. The procedures require that the inventory be conducted on June 30, or alternatively, on or after March 31 and adjusted for additions and deletions through June 30. Fleet Management anticipates that it should be in compliance during Fiscal Year 2006.

**Report and
Rec. No.**

Recommendation

Disposition

Department of Public Health and Environment

2003 Single Audit
Rec. No. 19

Evaluate the administrative expenditures for the Colorado Children's Trust Fund and reduce them as appropriate to eliminate the deficit spending for the program.

Implemented.

**Department of Public Safety and
Department of Local Affairs**

2004 Single Audit
Rec. No. 89

Improve controls over the administration of the Homeland Security Grant Program in order to ensure that the State is in compliance with federal requirements for the grant in the areas of allowable costs and activities, cash management, equipment management, reporting, and subrecipient monitoring.

Department of Public Safety:

Not implemented. As of the end of our audit, the Department of Public Safety was in the process of reviewing all grant files, completing the subrecipient monitoring and equipment management, and resolving all questioned costs. The Department of Public Safety plans to have these procedures completed by April 2006.

Department of Local Affairs:

Not implemented. See current year Recommendation Nos. 90-95.

Department of Regulatory Agencies

2004 Single Audit
Rec. No. 18

Record revenue in accordance with generally accepted accounting principles.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2003 Single Audit
Rec. No. 21

Record revenue in accordance with generally accepted accounting principles. If proper revenue recognition results in excess fund balance, comply with SB98-194 requirements by either reducing fees or requesting a waiver in accordance with Section 24-75-402 (8), C.R.S.

Implemented.

Department of Revenue

2004 Single Audit
Rec. No. 19

Bill taxpayers identified as owing money to the State on a timely basis.

Implemented.

Information Technology Division

2004 Single Audit
Rec. No. 20

Improve password usage policy to prevent unauthorized access to the network and confidential information by (a) instructing and assisting employees on setting up password protection on their computers, (b) training employees on the importance of password protection and securing their computers, and (c) clarifying the password usage policy.

Partially implemented. See current year Recommendation No. 30.

**Report and
Rec. No.**

Recommendation

Disposition

2004 Single Audit
Rec. No. 21

Improve controls over processing severance tax returns by (a) following up with taxpayers who do not submit required supporting documents with returns; (b) entering all critical data from returns and supporting documents; (c) implementing additional math edits to match information from supporting documents to that reported on returns and to recalculate the tax liability owed, as well as penalties and interest due; (d) establishing more rigorous review procedures for returns that exceed that Department's internal threshold for refund requests; and (e) seeking statutory change to allow enforcement of the withholding requirement in cases where the producer fails to withhold and submit the statutorily required 1 percent of gross income from interest owners on a quarterly basis.

a. Deferred. The Department plans to fully implement this part of the recommendation by the October 2005 implementation date.

b. and c. Deferred. The Department plans to fully implement these parts of the recommendation by the June 2006 implementation date.

d. Implemented.

e. Deferred. The Department completed an evaluation of existing withholding requirements, but decided not to seek legislative changes at this time. Because there may be other legislation on this issue during the current legislative session, the Department will reconsider the need for legislation to enforce the withholding requirement after the 2006 Legislative Session. See Fiscal Year 2004 Recommendation No. 23.

**Report and
Rec. No.**

Recommendation

Disposition

2004 Single Audit
Rec. No. 22

Improve controls over severance tax quarterly withholding and annual reconciliations by (a) identifying all producers who file quarterly withholding returns but fail to file annual reconciliations and taking appropriate action, including assessing penalties and interest; and (b) reviewing annual reconciliations to ensure that supporting documentation is submitted and agrees to the reconciliation and following up as appropriate.

a. Partially implemented. The Department identified and contacted all producers who filed quarterly withholding returns but failed to file annual reconciliations for tax year 2004. However, as of the end of our audit, the Department had not received the required documents from taxpayers. Once the supporting documentation is obtained, the Department will evaluate whether penalties and interest should be assessed on tax returns not filed in a timely manner. The Department anticipates fully implementing this recommendation in February 2006.

b. Deferred. The Department plans to fully implement this part of the recommendation by the June 2006 implementation date.

2004 Single Audit
Rec. No. 23

Investigate more effective ways to collect oil and gas severance taxes owed to the State.

Deferred. The Department completed an evaluation of existing withholding requirements, but decided not to seek legislative changes at this time. Because there may be other legislation on this issue during the 2006 Legislative Session, the Department will reconsider the need for legislation to enforce the withholding requirement after the session ends. The Department intends to fully implement this recommendation by December 2006.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 18

Develop controls to ensure that future Taxpayers Bill of Rights (TABOR) credits are claimed and received only by eligible individuals by (a) identifying and billing individuals who were ineligible to claim TABOR credits; (b) implementing a methodology to verify taxpayers' federal adjusted gross income at the time a credit is claimed and to ensure that taxpayer's federal adjusted gross income at the time a credit is claimed; and (c) processing only complete returns, or evaluating alternative methods of ensuring that only qualifying credits are claimed, should the taxpayer fail to submit the required schedules.

a. Implemented.

b. Partially implemented. The Department modified the individual income tax form by adding a line for the taxpayer's federal adjusted gross income. This information will be used in conjunction with federal information to confirm eligibility for the TABOR credits. However, with the passage of Referendum C, the Department anticipates that there will be no TABOR credit available after tax year 2005 for at least another five years. An implementation date will be determined when TABOR credits are available.

c. Partially implemented. In Fiscal Year 2004 the Department developed an edit to ensure that tax returns filed in future years have adequate supporting documentation. However, this edit was not in place for tax year 2002 and earlier, but was in place for tax year 2003. See current year Recommendation No. 27.

**Report and
Rec. No.****Recommendation****Disposition**

2002 Single Audit
Rec. No. 19

Enhance controls over manual adjustments made to taxpayer returns by (a) performing reviews of data entered into its system on all returns with income of \$10 million or more, (b) developing procedures for reviewing manual adjustments to tax returns made by the Problem Resolution Unit, and (c) ensuring that staff make manual adjustments to tax returns do not improperly override system-generated letters to taxpayers.

a. and b. Partially implemented. See current year Recommendation No. 27.

c. Implemented.

2002 Single Audit
Rec. No. 20

Develop and implement procedures to review charitable contribution deductions claimed by taxpayers.

Deferred. The Department plans to implement the recommendation in years in which the Taxpayers Bill of Rights (TABOR) surplus exists and the surplus exceeds the threshold for this TABOR refunding mechanism. The Department anticipates that this credit will be available in future years. The Department plans to complete the necessary systems programming by December 31, 2006. A date for full implementation will be determined when TABOR credits are available.

Office of the State Treasurer

2003 Single Audit
Rec. No. 76

Review and evaluate the reasonableness of the clearance patterns for payments issued by the State, given the change in financial institutions during Fiscal Year 2003.

Implemented.

2002 Single Audit
Rec. No. 93

Define the terms and methods used to establish funding techniques and draw patterns and provide to each department subject to the Agreement.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

Department of Transportation

2004 Single Audit
Rec. No. 24

Implement adequate controls over year-end reconciliations by (a) establishing a realistic schedule for the completion of reconciliations of significant balance sheet accounts in the operating fund and all accounts in the debt service fund and at the government-wide level on a monthly basis; (b) assigning staff to perform the reconciliations; and (c) designating a supervisor to monitor compliance with the schedule, review all reconciliations, and sign off on the reconciliations to evidence review.

Not implemented. See current year Recommendation No. 34.

2004 Single Audit
Rec. No. 25

Determine the value of assets abandoned, sold, and relinquished in Fiscal Year 2004 and make the appropriate entries on the general ledger, and ensure disposals of roads and rights of way approved by the Transportation Commission are communicated to accounting staff on a timely basis.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2004 Single Audit
Rec. No. 26

Develop a system to estimate the annual amount required to maintain and preserve state bridges, tunnels, and roadways at the condition level established and disclosed by the Department.

Deferred. Budgets are established for Operations and Maintenance and Construction Activities. Construction funds are used either to maintain existing infrastructure or for the addition of new infrastructure or capacity improvements. The project process typically overlaps multiple fiscal years, therefore, the measurement process begins with the annual condition status of the infrastructure. The Department implemented a new electronic reporting system that it expects to be fully operational by Fiscal Year 2007. Under this new system, the Department is anticipating a better way to identify and report project expenditures by year appropriated. Anticipated implementation date is September 30, 2006.

**Report and
Rec. No.**

Recommendation

Disposition

2004 Single Audit
Rec. No. 90

Identify all subrecipients and the amount paid to each subrecipient, and develop subrecipient monitoring policies and procedures to ensure that audit requirements are met, findings and questioned costs are followed up on in a timely manner, and all subrecipient monitoring activities are documented and problems identified are resolved.

Deferred. During Fiscal Year 2005, the Department, in cooperation with the Federal Highway Administration, provided statewide training to regional business, program and project managers on the requirements of OMB *Circular A-133*. Additionally, the Department is in the process of developing a statewide database that subrecipients will use to remit information related to compliance with OMB *Circular A-133* audit requirements. Once implemented, the database will be used by the Department's internal auditors to review local entity audit reports to identify any issues of noncompliance. The Department anticipates a final implementation date of September 30, 2005.

2004 Single Audit
Rec. No. 91

Ensure that construction projects are closed in a timely manner and that surplus funds are released for use on other projects by (a) implementing measures to expedite the submission of forms required for project closure by both contractors and region staff, and (b) establishing requirements and monitoring region practices to ensure they retain only the estimated final payment amount on projects and then release any surplus funds within six months of the date the project was accepted as complete by the Department.

Ongoing. The Department has updated its Construction Manual to include detailed processes for closing projects to ensure that projects are closed within six months of final project acceptance.

Report and Rec. No.	Recommendation	Disposition
2004 Single Audit Rec. No. 92	Improve management of the claims payment and settlement process by (a) improving its process for tracking the number, nature, total value, and final outcome of all claims that are filed with the Department; (b) holding region staff accountable for notifying the Division of Audit of all claims over \$250,000 as required by Department policy; and (c) ensuring region staff notify the Federal Highway Administration of all appropriate claims.	Implemented.
2004 Single Audit Rec. No. 93	Improve its management of indirect cost rates to ensure costs are reasonable.	Implemented.
2004 Single Audit Rec. No. 94	Adequately verify and substantiate indirect cost rates to ensure consultant fees are fair and reasonable by (a) developing requirements that consultants and subconsultants who perform work on consultant contracts over a certain dollar threshold submit a schedule of direct labor, fringe benefits, and general overhead that has been audited by an independent CPA firm; (b) developing and implementing an audit program to conduct quality assurance reviews of CPA firm audit reports and ensure that indirect cost rates are prepared in accordance with Department policy; and (c) developing and implementing an audit program to conduct, on a sample basis, actual indirect cost rate audits at regular intervals according to predetermined risk factors.	Partially implemented. The Department has developed requirements for consultants to submit an audited schedule of direct labor, fringe benefits, and general overhead. In addition, consultants' are required to submit a copy of the firm's audited financial statements along with a crosswalk from the financial statements to the indirect costs schedules to show how costs are derived. However, the Department has not developed audit programs to conduct quality assurance reviews of CPA firm audit reports and indirect cost rate audits. The Department will develop the audit program by June 1, 2006.

**Report and
Rec. No.**

Recommendation

Disposition

2004 Single Audit
Rec. No. 95

Ensure the selection of qualified consultants for contracts by tracking and monitoring consultants compliance with contract terms related to disadvantaged business enterprises, and include a review of consultants' progress toward meeting the disadvantaged business enterprise goals in the consultant performance evaluations.

Partially implemented. The Department has developed a process for tracking consultant compliance with disadvantaged business enterprise goals (DBE) and has streamlined the consulting debriefing process to make it more timely. The Department is in the process of developing a consultant evaluation form which includes provisions to assess consultant performance with respect to DBE goals. The consultant evaluation will go into beta testing in March 2006 and implemented by July 2006.

2003 Single Audit
Rec. No. 25

Implement a secure program to track and reconcile credit card purchases.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2003 Single Audit
Rec. No. 26

Secure offsite data processing capabilities for use in the event a disaster occurs that renders current data processing functions partially or fully inoperable.

Partially implemented. The Department purchased equipment and identified data for replication. The Department plans to replicate this and other critical data once its new electronic reporting system is operational to a location that is being built in Pueblo by the Department of Human Services. The Department's network is being upgraded and a connection between the Department and Pueblo is expected to occur in late December 2005 or early January 2006. Once testing is successfully completed, data will be moved when the electronic reporting system is live and operational. The Department anticipates that this process will be completed in Fiscal Year 2007.